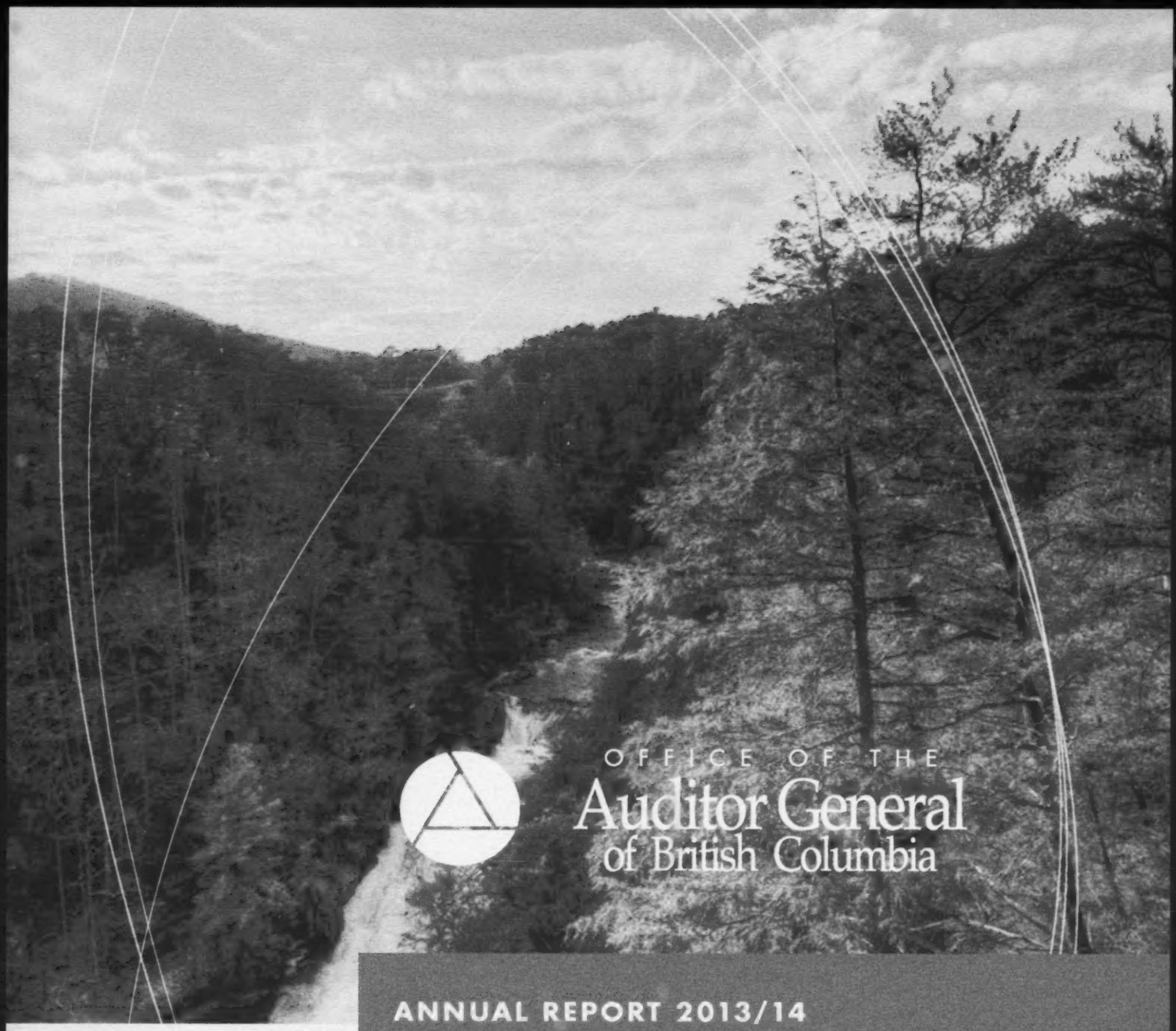

OFFICE OF THE

Auditor General of British Columbia

ANNUAL REPORT 2013/14

www.bcauditor.com

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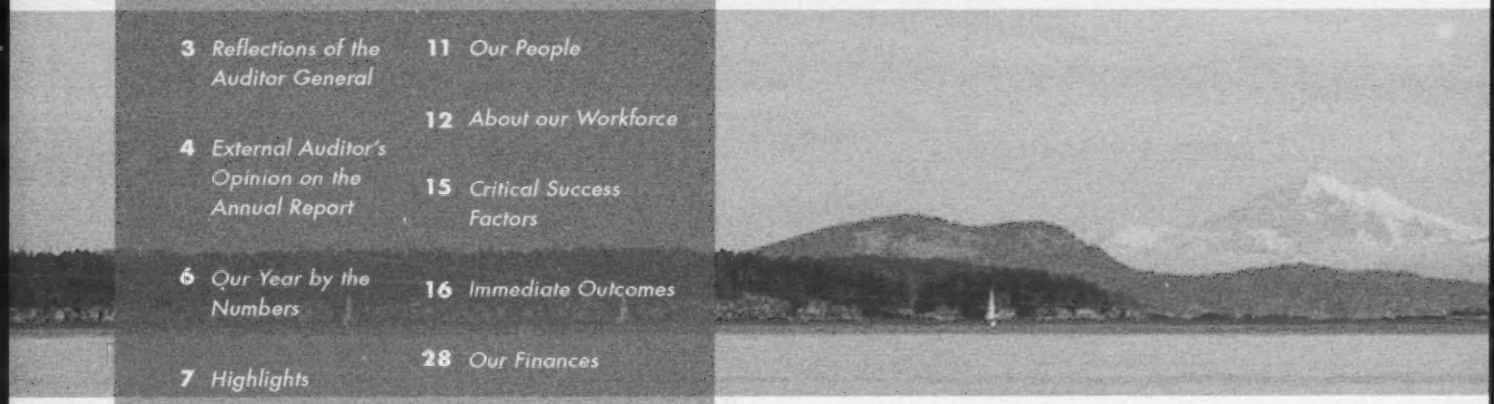

OFFICE OF THE
Auditor General
of British Columbia

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Victoria, British Columbia
Canada V8W 1J4
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June, 2014

The Honourable Linda Reid
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Madame Speaker:

I have the pleasure of submitting this *2013/14 Annual Report* in fulfillment of the requirement as described in section 22 of the *Auditor General Act*.

Russ Jones

Russ Jones, MBA, CA
Auditor General
Victoria, British Columbia
June 2014

ACCOUNTABILITY STATEMENT

This report reflects the performance of the Office of the Auditor General for the 12 months ending March 31, 2014 and was prepared in accordance with the *Auditor General Act* and the BC Reporting Principles. Fiscal assumptions and policy decisions up to June 1, 2014 have been considered in the development of this report.

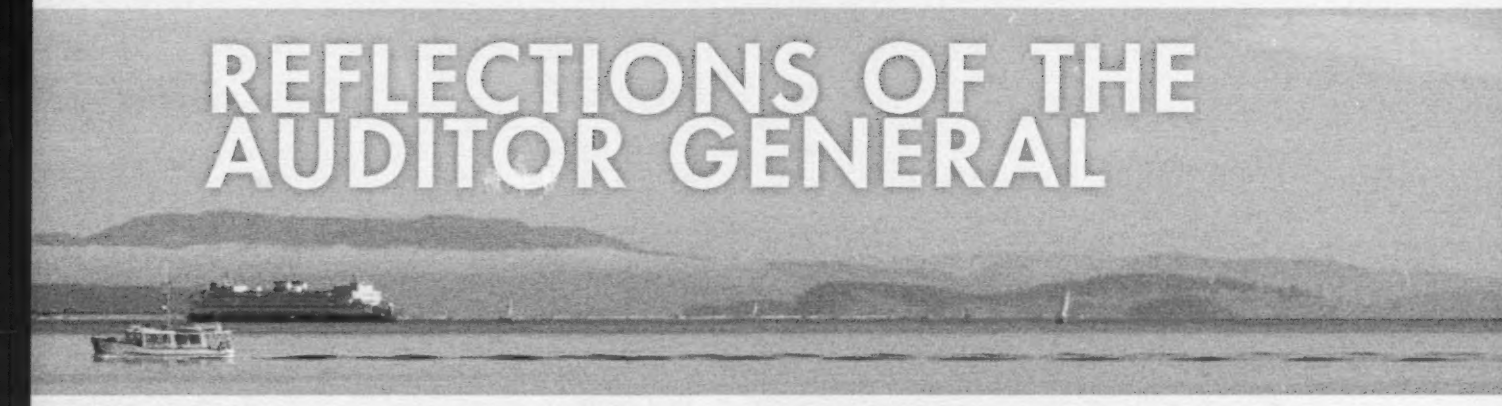
I am accountable for the results achieved, the selection of the performance indicators and ensuring that the information is measured accurately and in a timely manner. Any significant limitations in the reliability of the data have been identified and explained.

This annual report includes estimates and interpretive statements that represent the best judgement of management. The measures reported are consistent with the Office's mission, goals and objectives and focus on aspects critical to understanding the performance of the Office for a general audience. If you require more detailed information, please contact our Office.

Russ Jones

Russ Jones, MBA, CA
Auditor General
June 2014

REFLECTIONS OF THE AUDITOR GENERAL



The past year was one of change and transition for our Office. As of May 28, 2013, I had the pleasure of leading the Office as the Acting Auditor General of British Columbia as we anticipated the appointment of a new Auditor General in 2014.

I am pleased to say that Carol Bellringer was appointed as our Auditor General and will begin her eight year term on September 15, 2014.

Since 2013 was also an election year, new Members of the Legislative Assembly (MLAs) were elected and in turn, appointed to the Select Standing Committee on Public Accounts (PAC). Given that PAC is the all party committee that we report to, this provided an opportunity for us to hold orientation sessions with PAC members as to the role and function of our Office, as well as begin building new relationships.

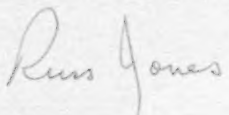
I set a personal goal of meeting with as many MLAs as I could to better understand their goals and values, and share my own: invest in relationships; listen and understand others' perspectives; and enhance value in all that we do. Our annual survey of MLAs incorporates these values as we seek their feedback on whether the Office is meeting their needs and to measure the value of our work. The survey results are included in this report as well as our performance and financial highlights.

Over the past year, we revisited our strategic plan and priorities for the coming years. This included looking at our internal processes to improve our effectiveness, including our key performance indicators (KPIs) which we report on annually in this report. Our upcoming 2014/15 - 2016/17 service plan, which we will publish separately from this annual report this year, will identify the Office's future direction and map out a revised set of measures and related targets to track our success in achieving that direction. As a result, and given that our incoming Auditor General may also have thoughts in this area, we anticipate that there may be some shift in the performance metrics we report on in the future.

In March 2013, as part of actively managing our strategic risks, the former Auditor General streamlined our executive team. These changes allowed us to increase our front line audit staffing. However, with the time it takes to restructure and recruit new staff, together with not filling my previous position while I have been Auditor General, we underspent our budget this year by $727,000.

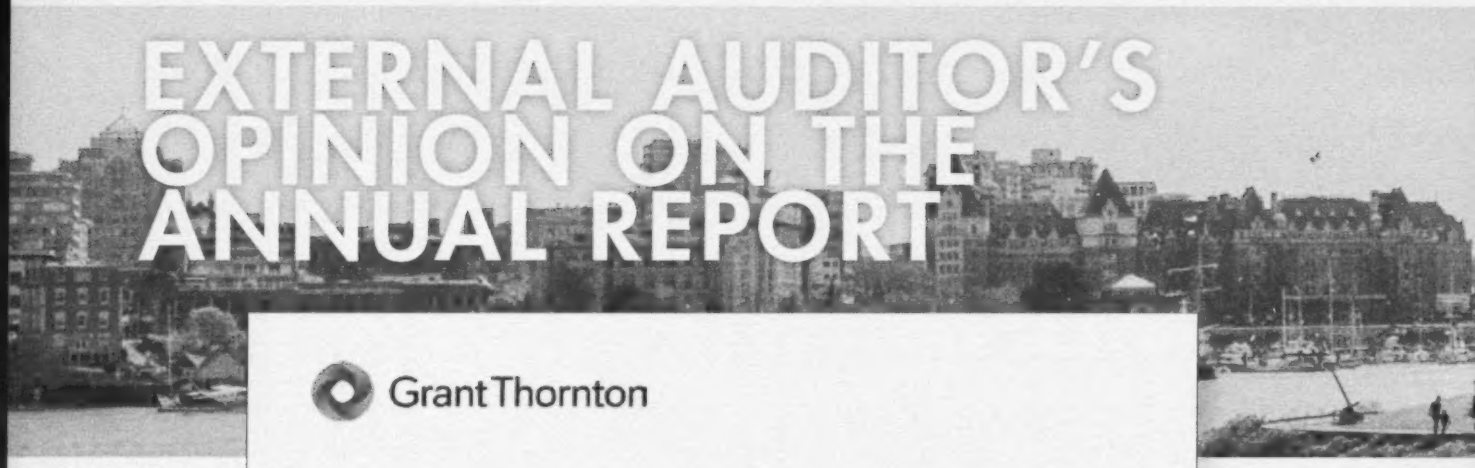
After 37 years at our location in Bastion Square, construction is in progress on our new purpose-built office on Fort Street in the heart of downtown Victoria. We are working to ensure the building is as environmentally friendly as possible (we've got our eyes on Leadership in Energy and Environmental Design (LEED) certification) while making fiscally responsible decisions. It will be most cost-effective to amalgamate both our offices in one.

It is my hope that this 2013/14 Annual Report provides a window into our Office: our priorities, values, and role as a non-partisan, independent office of the legislature promoting efficient, accountable government. This report is an opportunity to look back on our year of transition and then look forward as we build on our successes in 2014/15.



Russ Jones, MBA, CA
Auditor General
Victoria, British Columbia
June 2014

EXTERNAL AUDITOR'S OPINION ON THE ANNUAL REPORT



Grant Thornton

Independent Auditors' Report

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To the Speaker
The Legislative Assembly, Province of British Columbia

We have been engaged to report whether the Annual Report of the Office of the Auditor General of British Columbia (the "Office") for the year ended March 31, 2014 fulfills the requirements of the BC Reporting Principles. The eight BC Reporting Principles outline the characteristics of good performance reporting, and have been endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts for use by public sector organizations in British Columbia. The principles are detailed in the appendix to this report. This Annual Report is the responsibility of the Office.

Auditors' responsibility

Our responsibility is to assess whether the Annual Report has met the requirements of the BC Reporting Principles. We conducted our audit in accordance with Canadian standards for assurance engagements and accordingly included such tests and procedures as we considered necessary in the circumstances. The conclusion in our report is based on procedures that we determined to be necessary for the collection of sufficient, appropriate evidence in order to obtain a high, though not absolute, level of assurance that the Annual Report fulfills the requirements of the BC Reporting Principles.

As called for by the BC Reporting Principles, the Annual Report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by the Office, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, our examination was limited to ensuring the Annual Report contains those representations called for by the BC Reporting Principles and that they are consistent with the audited performance information and audited financial statements

Opinion

In our opinion, this Annual Report fairly presents, in all significant respects, the performance of the Office for the year ended March 31, 2014, in accordance with the BC Reporting Principles. The following appendix contains details supporting our conclusion for each of the BC Reporting Principles, and is an integral part of our opinion.

Grant Thornton LLP

Victoria, Canada
July 17, 2014

Chartered Accountants

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Grant Thornton

Appendix to Auditors' Report of Grant Thornton LLP on the 2013/14 Annual Report

Detailed observations

Principle 1 – Explain the Public Purpose Served
The Annual Report explains the Office's mission and public purpose, as outlined in enabling legislation. It reports on the organization's two core business areas and the services/products provided. The Annual Report includes a discussion of the involvement of private sector auditors and the quality assurance measures in place. The Annual Report details the Office's clients and stakeholders, including the accountability relationship with the Legislative Assembly. Other factors that are critical to understanding performance are identified, including independence and objectivity.

Principle 2 – Link Goals and Results
The Annual Report clearly identifies the organization's mission, mandate, goals, objectives, and successfully explains their interrelationships. Performance indicators are clearly reported and reflect the core substance of the objectives and focus on short term and long term outcomes. The Annual Report explains the variances between planned and actual results, variances from prior years' results and discusses plans to achieve targeted results in the future. The Annual Report states a revised set of measures and related targets will be published in the future.

Principle 3 – Focus on the Few, Critical Aspects of Performance
The Annual Report provides meaningful information to readers by focusing on four key performance indicators that are critical to the understanding of the operational performance of the Office. The results of performance, both financial and nonfinancial, are clearly presented. The Annual Report manages its level of detail by referring appropriately to companion documents.

Principle 4 – Relate Results to Risk and Capacity
The Annual Report examines the key risks to the Office and explains the impact of risk and the resulting critical success factors on performance results in both a short-term and long-term context. The Annual Report addresses capacity in terms of human resources and funding and how these affect the ability to deliver organizational goals and objectives.

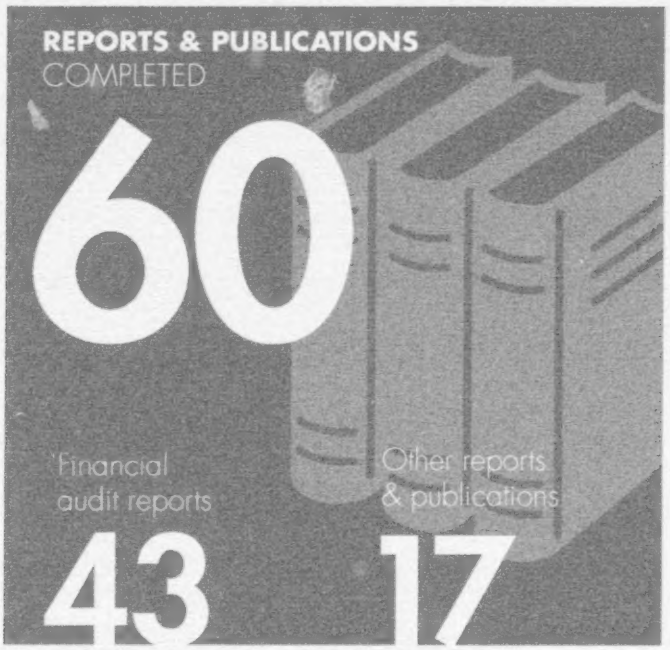
Principle 5 – Link Resources, Strategies and Results
The Annual Report highlights key financial information at an organization-wide level. Explanations are provided for variances from prior year and budgeted amounts. The Annual Report conveys efficiency through its discussions and analyses of performance indicators. Links between resources and outputs are discussed and contribute to the reader's understanding of the efficiency of operations.

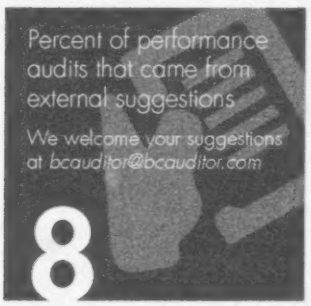
Principle 6 – Provide Comparative Information
The Annual Report provides comparative data in its analyses of the four performance indicators. Multi-year trends are used and referenced to actual results and planned performance. For other indicators, the Annual Report explains that benchmarks and industry data were sought, but information for direct comparisons was not always available.

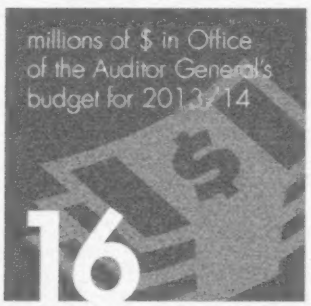
Principle 7 – Present Credible Information, Fairly Interpreted
The Annual Report covers all key aspects of performance and the measures used are relevant. The report clearly identifies the data sources used to assess the performance. The Annual Report is reasonably concise, effectively uses tables and graphs to present information and avoids excessive use of specialized terminology.

Principle 8 – Disclose the Basis for Key Reporting Judgments
The Annual Report identifies the sources of information for performance indicator data. Limitations to data sources, where present, are disclosed. The Annual Report discusses the Office's confidence in the reliability of the data and reports successes and shortcomings in a fair and balanced manner.

OUR YEAR BY THE NUMBERS




Percent of performance audits that came from external suggestions
We welcome your suggestions at bcauditor@bcauditor.com
8



*estimated totals for our 2013/14 audit of government's Summary Financial Statements

HIGHLIGHTS

On May 28, 2013, Russ Jones began his term as Acting Auditor General of BC and Malcolm Gaston as Acting Deputy Auditor General.

Building relationships is one of Auditor General Russ Jones's core values. By March 31, 2014, Russ had met with 64 senior government officials such as MLAs, Ministers and Deputy Ministers to discuss the role of the Office, his values, and key issues of concern for all parties and British Columbians.

Five audit associates successfully completed the Uniform Final Examination (UFE), the final exam for becoming a Chartered Accountant.

Jessica Schafer, a performance auditor, traveled to Perth, Australia on a six-month secondment with the Office of the Auditor General of Western Australia.

Acting Deputy Auditor General Malcolm Gaston conducting a workshop for the Ghana Audit Service in Accra, Ghana.

Malcolm Gaston was invited (at no cost to our Office) to conduct a workshop for the Ghana Audit Service in Accra, Ghana in November 2013.

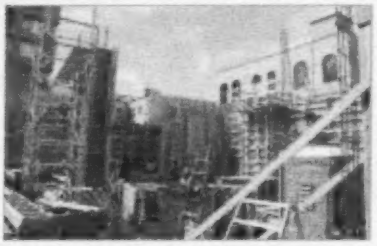
In December 2013, final approval was granted for the relocation of the Office to a purpose-built facility on Fort Street.

Assistant Auditor General Sheila Dodds was invited, at Canadian Comprehensive Audit Foundation (CCAF-CCVI)'s expense, to Tanzania to co-facilitate a course on the fundamentals of performance audit for audit staff at the National Audit Office of Tanzania in February 2014.

The Office published the much anticipated *Audit of Special Indemnities* holding a teleconference to answer media questions. The success of the teleconference has prompted the Office to hold subsequent teleconferences, as appropriate, for audit reports.

Our Office continues its support of the development of professional accountants in the Province as a licensed ICABC Chartered Accountant Training Office. We support the new CPA Professional Education Program that launched across Western Canada in September 2013.

In July 2013, the Office released its opinion on the *Summary Financial Statements*, the largest financial audit in all of BC, encompassing 173 government entities.



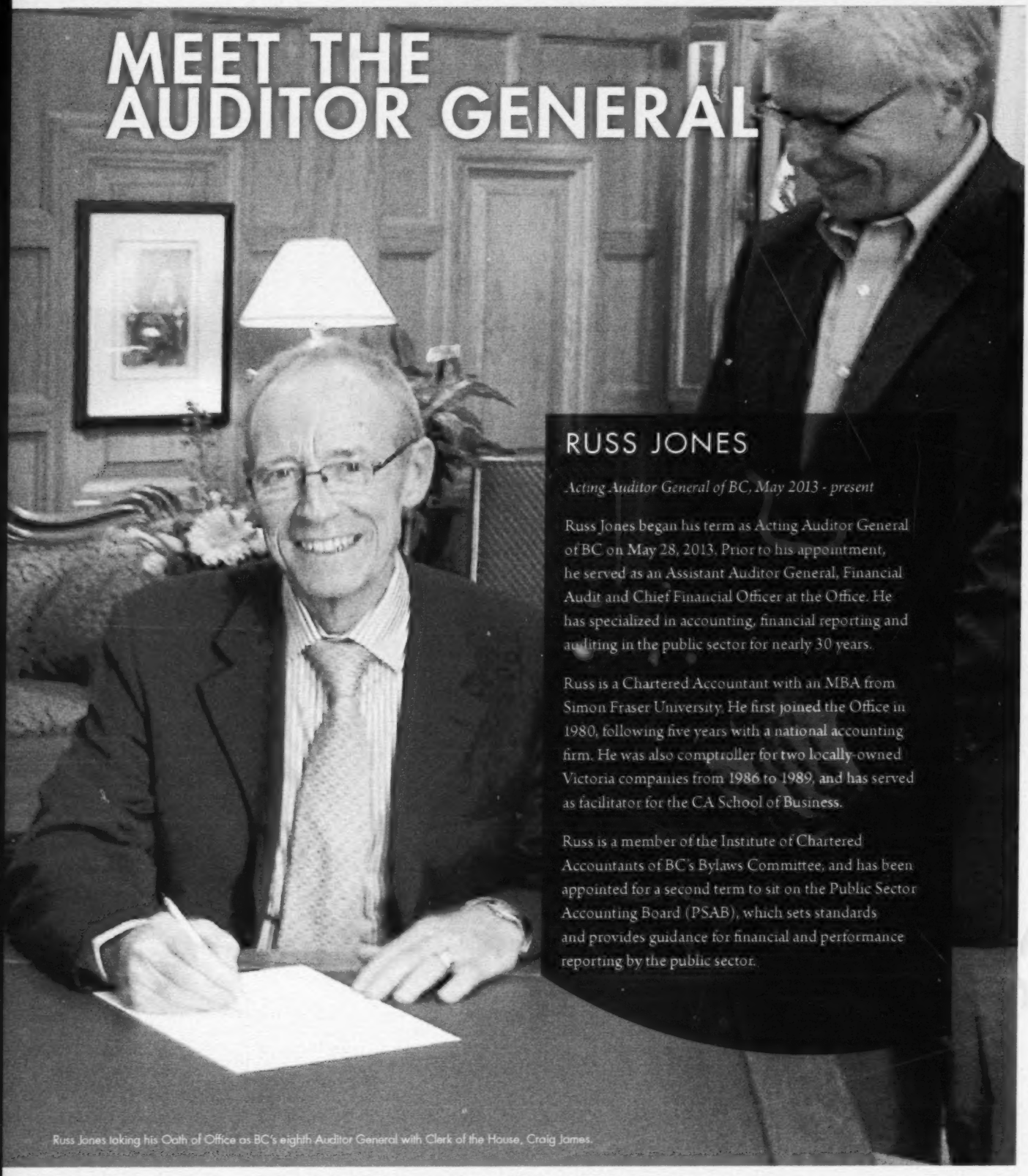
Construction began on the new Office of the Auditor General in 2013 with a planned move-in date of fall 2014.

Assistant Auditor General Sheila Dodds at the National Audit Office of Tanzania.

Our *Oversight of Physician Services* report was downloaded 1,254 times and our *Catastrophic Earthquake Preparedness* report was downloaded 1,153 times.

To engage with a larger number of British Columbians, the Office increased its social media presence via Twitter.

MEET THE AUDITOR GENERAL



RUSS JONES

Acting Auditor General of BC, May 2013 - present

Russ Jones began his term as Acting Auditor General of BC on May 28, 2013. Prior to his appointment, he served as an Assistant Auditor General, Financial Audit and Chief Financial Officer at the Office. He has specialized in accounting, financial reporting and auditing in the public sector for nearly 30 years.

Russ is a Chartered Accountant with an MBA from Simon Fraser University. He first joined the Office in 1980, following five years with a national accounting firm. He was also comptroller for two locally-owned Victoria companies from 1986 to 1989, and has served as facilitator for the CA School of Business.

Russ is a member of the Institute of Chartered Accountants of BC's Bylaws Committee, and has been appointed for a second term to sit on the Public Sector Accounting Board (PSAB), which sets standards and provides guidance for financial and performance reporting by the public sector.

Russ Jones taking his Oath of Office as BC's eighth Auditor General with Clerk of the House, Craig James.

SERVING THE PUBLIC INTEREST

WHO WE ARE

Non-partisan, independent of government and reporting directly to the Legislative Assembly of British Columbia, we provide assurance about government's overall operations.

Our **vision** is to be a highly valued, independent legislative audit office recognized for excellence in promoting effective and accountable government.

We are guided by our **mission** which is to serve the people of British Columbia and their elected representatives by conducting independent audits and advising on how well government is managing its responsibilities and resources.

WHAT WE DO

We conduct audits, reviews and examinations that report on how well government is managing its responsibilities and resources, and make recommendations for improvement.

Financial audits provide independent opinions on organizations' financial statements to see if they are presented fairly and free of errors, misstatements and omissions. Our largest financial audit is government's Summary Financial Statements encompassing over 170 government entities.

Performance audits are "value for money" audits that can assess the efficiency, economy or effectiveness of provincial programs, services and resources. Topics include health, education, transportation, information technology, environment and more.

We also produce a variety of other public and non-public products, that are a source of valuable information. These include: management letters; informational reports; guides and brochures.

WHO WE SERVE

- First and foremost, the Legislative Assembly of British Columbia,
- Secondly, the people of British Columbia, and
- Senior government officials and governing boards of ministries, Crown corporations, and organizations accountable to the provincial government such as universities, colleges, school districts and health authorities.

Planning and Reporting Cycle

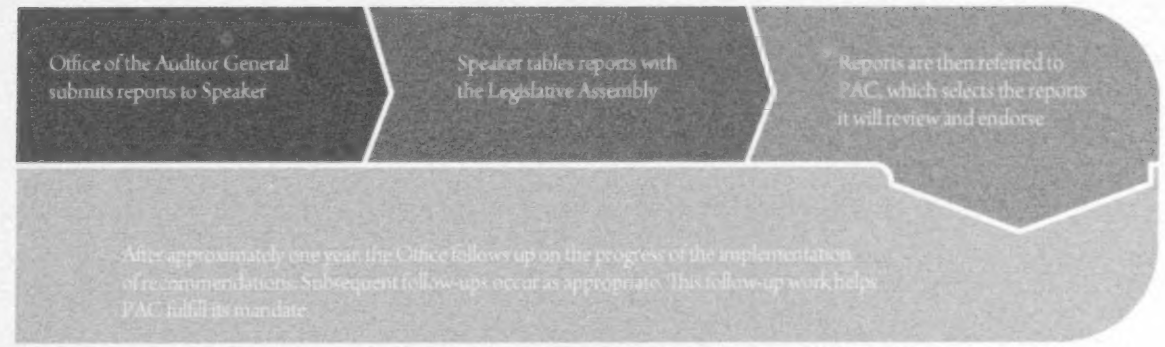
The Office's annual planning and reporting cycle guides the development of our work plans and operations and includes, among other accountability documents, our service plan, annual report and Financial Statement Audit Coverage Plan (FSACP).

Our planning cycle begins in November when we submit our FSACP to PAC as outlined under section 10(6) of the *Auditor General Act*. This plan summarizes our three-year financial audit plan. Once approved by PAC, we combine the cost of doing the work with the cost of our other lines of business and services (such as performance and IT audits) to form our estimate of resources. This estimate is submitted to the Select Standing Committee on Finance and Government Services for approval and included in the main estimates of the Province.

Select Standing Committee on Public Accounts

The Select Standing Committee on Public Accounts (PAC) is an all-party committee of the Legislative Assembly, chaired by a member of the official Opposition. PAC's mandate includes reviewing the Auditor General's reports to assess the effectiveness of senior levels of government and to hold them to account for the results that they have achieved. PAC decides which Auditor General reports to examine, after they are tabled through the Speaker of the Legislative Assembly (Speaker) (see Exhibit 1). When PAC chooses to review a report, it: invites the Auditor General to present the report; contacts the Office of the Comptroller General to coordinate attendance by the audited organization; and submits its own report to the Speaker annually, including which of the OAG's recommendations the Committee endorses. Additional information is available on the PAC web page.

Exhibit 1: PAC may decide to examine reports of the Auditor General tabled through the Speaker of the Legislative Assembly


Office of the Auditor General submits reports to Speaker
Speaker tables reports with the Legislative Assembly
Reports are then referred to PAC, which selects the reports it will review and endorse
After approximately one year, the Office follows up on the progress of the implementation of recommendations. Subsequent follow-ups occur as appropriate. This follow-up work helps PAC fulfill its mandate.

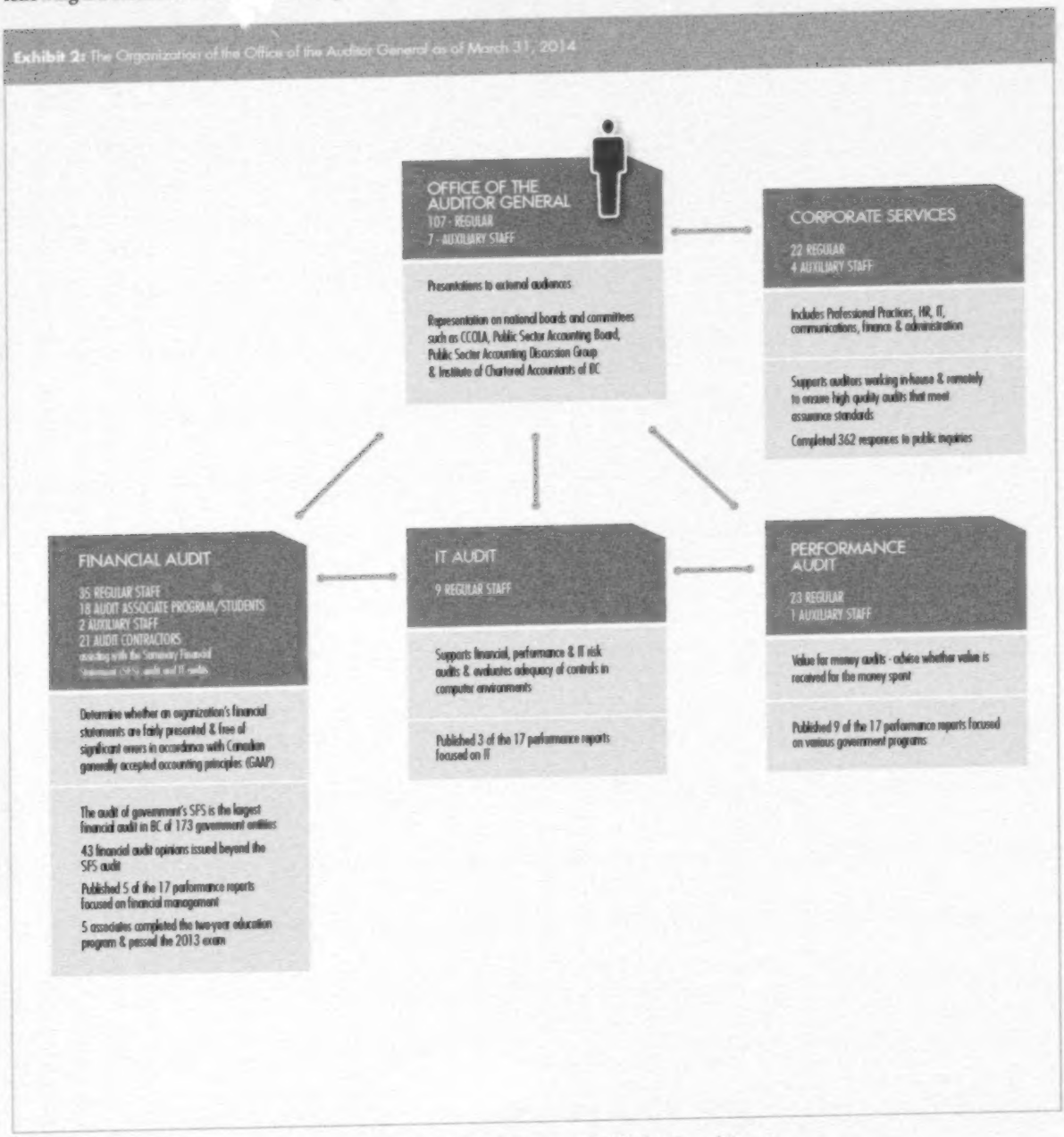
The Watchdogs participate annually in the TC10K race.

From left to right: Richard Cho, Maria Timms, Joe Sass, Anastasia Pavlova, Chrystal Santos and Lillian Kuo at the Chartered Professional Accountant (CPA) Recruiting Event for mid-size firms in Vancouver, September, 2013.

OUR PEOPLE

As of March 31, 2014, the Office employed 107 regular staff and seven auxiliary staff. The following is a breakdown of how we are organized with the number of staff in each area.

Exhibit 2: The Organization of the Office of the Auditor General as of March 31, 2014


OFFICE OF THE AUDITOR GENERAL
107 - REGULAR
7 - AUXILIARY STAFF
Presentations to external audiences
Representation on national boards and committees such as CCOLA, Public Sector Accounting Board, Public Sector Accounting Discussion Group & Institute of Chartered Accountants of BC
CORPORATE SERVICES
22 REGULAR
4 AUXILIARY STAFF
Includes Professional Practices, HR, IT, communications, finance & administration
Supports auditors working in-house & remotely to ensure high quality audits that meet assurance standards
Completed 362 responses to public inquiries
FINANCIAL AUDIT
35 REGULAR STAFF
18 AUDIT ASSOCIATE PROGRAM/STUDENTS
2 AUXILIARY STAFF
21 AUDIT CONTRACTORS
Determine whether an organization's financial statements are fairly presented & free of significant errors in accordance with Canadian generally accepted accounting principles (GAAP)
The audit of government's SFS is the largest financial audit in BC of 173 government entities
43 financial audit opinions issued beyond the SFS audit
Published 5 of the 17 performance reports focused on financial management
5 associates completed the two-year education program & passed the 2013 exam
IT AUDIT
9 REGULAR STAFF
Supports financial, performance & IT risk audits & evaluates adequacy of controls in computer environments
Published 3 of the 17 performance reports focused on IT
PERFORMANCE AUDIT
23 REGULAR
1 AUXILIARY STAFF
Value for money audits - advise whether value is received for the money spent
Published 9 of the 17 performance reports focused on various government programs

ABOUT OUR WORKFORCE

At the Office of the Auditor General:

- 44% of staff are under the age of 35 and 27% are over 50
- The proportion of staff over 50 years of age is expected to stay steady at 27%
- About 10% of our staff are either eligible (or are close to being eligible) to retire
- The average age is approximately 40
- 8% of staff took maternity/parental leave in 2013/14
- With the competitive external marketplace for accountants and their transferability to the private sector and other government jobs, we anticipate losing approximately half our staff over the next 10 years
- We anticipate hiring approximately 90 new employees over the next 10 years to keep up with regular attrition and forecasted retirements

ATTRACTING AND RETAINING STAFF

In 2013/14, 19 staff members departed the Office. In turn, we hired 19 full-time staff including five auxiliary and one co-op student. The Office strives to be an attractive employer by offering employment packages that are as competitive as possible, as well as interesting and meaningful work and a variety of professional development opportunities.

Continuous training and development opportunities result in increased retention, productivity, motivation, and knowledge. We encourage excellence in our staff by:

- Supporting employee learning and career development, and
- Providing regular internal training courses on financial and performance audit standards and emerging topics.

Historical Milestones

June 9, 1976 - Bill 45, the *Auditor General Act*, proposed by the Social Credit Government's Finance Minister Evan Wolfe, receives Royal Assent

June 21, 1977 - Erma P. Morrison, CA, appointed first Auditor General independent of government control and first female Auditor General of BC

Sept 1, 1977 - Morrison takes up her duties in an office at the Legislature. She and her staff subsequently moved to 8 Bastion Square, Victoria

March 20, 1979 - First annual audit report issued for the year ending 1978

Jan 1, 1986 - Jan 1, 1988 - Robert J. Hayward, CA, becomes Acting Auditor General

Jan 1, 1988 - Jan 1, 2000 - George L. Morfitt, FCA, becomes Auditor General

March 1, 2000 - May 2, 2006 - Wayne Strelioff, FCA, becomes Auditor General

March 12, 2003 - A new *Auditor General Act* proposed by the Liberal Government receives Royal Assent. Audits of program effectiveness are enabled

June 7, 2006 - June 1, 2007 - Arn van Iersel, FCGA, becomes Acting Auditor General

June 4 - Oct 28, 2007 - Errol Price, FCA, CMC, becomes Acting Auditor General

Oct 29, 2007 - May 27, 2013 - John Doyle, MAcc, FCA, becomes Auditor General

March 13, 2013 - The *Auditor General Act*, S.B.C. 2003, c.2 repealed so that the Auditor General holds office for a term of eight years

May 28, 2013 - Present - Russ Jones, MBA, CA, becomes Acting Auditor General

Sept 15, 2014 - Carol Bellringer, FCA, MBA, will become Auditor General

2014 - Both Office locations will come together into a new, purpose-built space in downtown Victoria in late fall

The following programs support employee engagement, leadership development, the sharing of good practices, and the achievement of our Office's goals and vision.

LEADERSHIP EXPLORATION & DEVELOPMENT

Our LEADers program supports junior staff in their transition to roles that require progressively greater leadership. The program begins with a comprehensive profile of individual strengths and areas for development. Through a series of workshops and coaching sessions, employees are given the tools to be successful in competing for and succeeding in future leadership roles within our Office. The program benefits both staff and the Office alike. Employees advance and the Office retains their talent and corporate knowledge.

Our Office also has an opportunity for an auditor to play a role in the training and professional development of new financial associates. This part-time management role, which divides time between financial audits and working directly with Human Resources, coordinates training programs and events, administers procurement initiatives, and develops curriculum for the entire Office. The role rotates every 18 to 24 months and is providing Financial Auditors with a unique opportunity to coach and support employee learning and career development.

INSIGHTS™

Since 2009, the OAG has used the Insights™ program to enhance our communication and team development. In 2013, two of our staff, Elaine Hepburn, Executive Operations Manager and Penny Limer, Human Resources Advisor, became certified for in-house delivery. Believing that communication and team skills are key to our continued performance improvement, we are now able to offer the introductory "Beginning the Journey" session as a foundational skill to all employees. In addition, we have begun building on those skills and providing Team Effectiveness workshops within the portfolio groups.

COOL BLUE	FIERY RED
CAUTIOUS	COMPETITIVE
PRECISE	DEMANDING
DELIBERATE	DETERMINED
QUESTIONING	STRONG-WILLED
FORMAL	PURPOSFUL
EARTH GREEN	SUNSHINE YELLOW
CARING	SOCIABLE
ENCOURAGING	DYNAMIC
SHARING	DEMONSTRATIVE
PATIENT	ENTHUSIASTIC
RELAXED	PERSUASIVE

SECONDMENTS

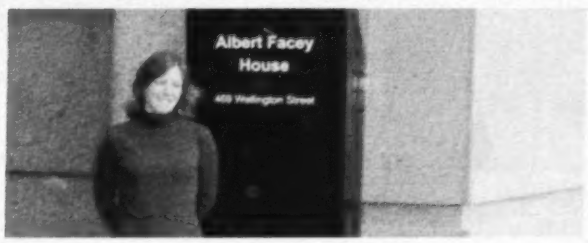
Secondments are an opportunity for employees to work in other auditing offices nationally and internationally. They always return with valuable ideas to strengthen our audit practices and processes. In 2013/14, one of our performance auditors traveled to Perth, Australia to work in the Office of the Auditor General of Western Australia. Jessica Schafer conducted performance audit work for the State Suicide Prevention Strategy. Similarly, our Office hosted two auditors from Melbourne, Australia. One of our financial audit directors worked temporarily for the Legislative Assembly to initiate the process of strengthening their financial management capacity. Another financial auditor worked temporarily at the Ministry of Advanced Education to set up a new audit stream for schools. Finally, we also have an ongoing relationship with the RCMP whereby each year, one member of our financial audit team enhances his/her investigative strengths through a short term assignment with the RCMP.

EMPLOYEE RECOGNITION

The Office acknowledges and celebrates staff for great work. Examples of great work include exemplary displays of initiative, motivation, leadership, or a significant contribution to the Office's morale and working environment. Emphasis is on employees acknowledging their co-workers.

Financial auditors Albert Law and Joel Adams tour BC Place as part of its Financial Statements audit.

Jessica Schafer (Performance Auditor) traveled to Perth, Australia on a secondment.



OUR OPERATING FRAMEWORK

Our Office's operating framework is guided by our:

- Strategic Direction – our vision, mission, values and goals.
- Critical Success Factors – of independence, credibility and capacity are critical to the Office's success, and build on the foundation of our guiding principles and values.
- Immediate Outcomes – of relevance, value, efficiency and excellence contribute to our vision and emphasize the greatest value to our primary client, the Legislative Assembly.
- Key Performance Indicators (KPIs) – measure our success in achieving our planned outcomes and allow us to compare our results and analyze our performance.

The KPIs act as targets helping us to continually improve our operations, while being grounded in risk assessment, past performance and benchmark comparisons where possible.

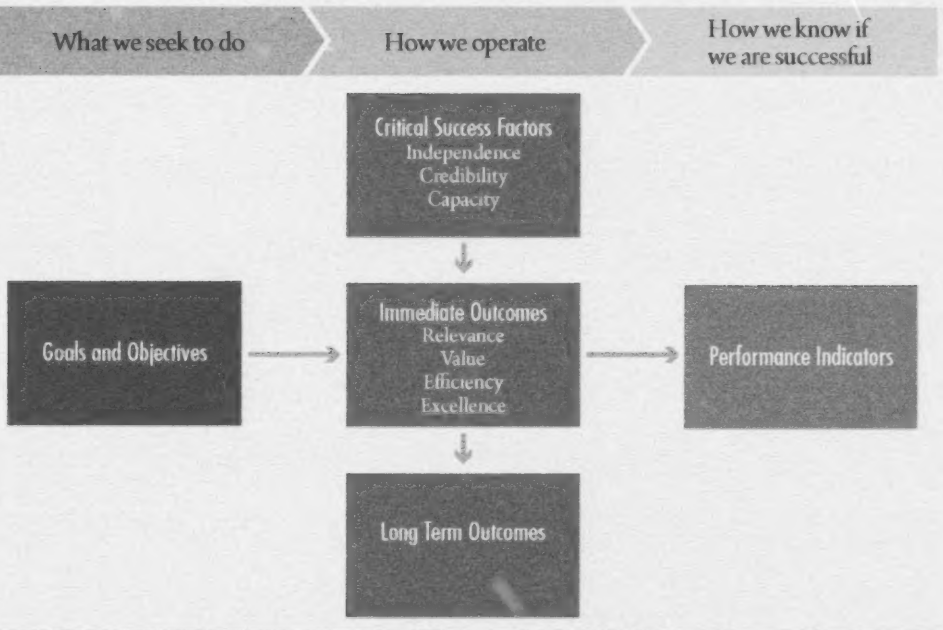
RELIABLE PERFORMANCE DATA

The performance data in this report is obtained from three main sources: the Office's internal management information systems, our publicly available audit reports and third-party analytics data. Data sources and quality are described for each key performance indicator.

Internally generated data is compiled by internal financial and communications groups and externally generated data is provided by professional, third-party survey providers producing data on our behalf. Any significant limitations in the quality of the data presented are fully disclosed.

Performance data in this annual report is reliable and verifiable and has been independently assessed by external auditors (see page 5).

Exhibit 3: The Office's operating framework



CRITICAL SUCCESS FACTORS

Independence, credibility and capacity are three factors critical to the Office's success. They are essential to everything that we do and the work that we produce.

INDEPENDENCE

The Office of the Auditor General is free of influence, conflict of interest and bias. The Office is:

- Independent of government and the government organizations we audit
- Accountable, and reports directly, to the Legislative Assembly – not to the government of the day
- Obligated to remain free of associations that could potentially impair its independence
- Not influenced by political or other external pressures that may deter it from conducting certain audits
- Required to maintain our independence in accordance with Office standards, and professional standards such as those of the Chartered Professional Accountants of Canada and British Columbia

CREDIBILITY

We achieve credibility by:

- Producing true and fair reports
- Engaging in internal quality control measures such as internal file inspections, and executive-level review and challenge
- Meeting rigorous professional auditing standards and those of the Institute of Chartered Accountants of British Columbia (ICABC) and its code of conduct
- Undergoing a periodic review by ICABC to confirm we are meeting its professional standards
- Making timely recommendations to improve government's performance

CAPACITY

Our Office builds capacity from our experience, professional judgment and on-the-job training. Capacity also comes from having a sufficient quantity and quality of resources at our disposal:

- Quantity of resources – The Auditor General annually provides the Select Standing Committee on Finance and Government Services with an estimate of the resources the Office requires over the next three years, and aims to use these resource allocations efficiently.
- Quality of resources – Most of our audit staff have professional accounting designations and additional credentials such as Project Management Professional (PMP) and Masters in Public Administration (MPA) to accompany their broad experience base (see Exhibit 4). Several of our performance auditors are trained and experienced specifically in business, public administration, law, education, social and environmental sciences, human resources and health care.
- Excellent employer - We strive to be an excellent employer that attracts and retains high-quality employees. The Office endeavours to earn high employee engagement scores, meet professional standards and maintain positive, professional relationships with our auditees.

Exhibit 4: Certifications and designations held by Office staff as of March 31, 2014

IMMEDIATE OUTCOMES

We measure our performance through four immediate outcomes: relevance, value, efficiency and excellence. These outcomes contribute to our vision of being a highly valued legislative audit office.

We measure how well we are doing by comparing the planned to actual results in our key performance indicators (KPIs). The relationship between our outcomes and KPIs can be seen in following exhibit.

Exhibit 5: The Office's strategic framework

STRATEGIC DIRECTION

VISION

A highly valued, independent legislative audit office recognized for excellence in promoting effective and accountable government.

MISSION

To serve the people of British Columbia and their elected representatives by conducting independent audits and advising on how well government is managing its responsibilities and resources.

VALUES

External focus

- Serving the public interest: being relevant to legislators and the public.
- Independence and objectivity: being free of influence, conflict of interest and bias.
- Trust and integrity: treating those with whom we have contact honestly and consistently meeting our commitments.

Internal focus

- Mutual respect: managing and interacting on the basis of fairness, equity, honesty, trust and personal dignity.
- Teamwork: cooperating, supporting and respecting each other's contributions.
- Work-life balance: supporting quality-of-life endeavours and respecting personal commitments.

GOALS

To adopt best practices in our work and as an employer and to promote:

1. sound financial administration and reporting,
2. well-managed provincial programs, services and resources,
3. comprehensive public sector accountability reporting, and
4. effective public sector governance.

CRITICAL SUCCESS FACTORS

INDEPENDENCE

The Office must remain independent of the government and government organizations that we audit. We are accountable to and report directly to the Legislative Assembly, and not the government of the day.

CREDIBILITY

The Office's credibility is achieved by maintaining independence and adhering to principles and professional standards.

By adhering to Canadian generally accepted auditing standards and actively engaging in internal quality control, our work meets professional audit standards.

The Office also follows the Institute of Chartered Accountants of British Columbia code of conduct and is reviewed by the Institute periodically.

CAPACITY

Quantity of resources

The Office annually presents to the Legislature a credible and relevant estimate of the resources required to perform the Office's duties, based on efficient resource allocation.

Quality of resources

The majority of audit staff have accounting designations. Office staff may hold additional credentials that assist them in their field of focus.

IMMEDIATE OUTCOMES

RELEVANCE

Addressing key issues or areas of concern to British Columbians and their elected representatives in our audit work.

Enhancing the credibility of the provincial government's financial reporting through our audit work on the Summary Financial Statements.

Producing audit opinions, reports and other information that are timely and responsive to the concerns of MLAs and the public.

Contributing to better government by providing useful recommendations.

VALUE

Producing audit opinions, reports and other information that MLAs and the entities we audit find valuable, accessible and useful – while still meeting or exceeding professional audit and accounting standards.

EFFICIENCY

Using the funding the Office receives to produce the optimal volume of work, and by extension, the impact our work has.

EXCELLENCE

Maximizing employee engagement, meeting professional standards, and maintaining positive, professional relations with our auditees.

KEY PERFORMANCE INDICATORS (KPIs)

RELEVANCE

Percentage of performance audit reports completed in response to questions from MLAs and British Columbians.

VALUE

Percentage of MLAs surveyed who believe our work over the last year promoted efficient and accountable government.

EFFICIENCY

Number of reports and publications

EXCELLENCE

Staff motivated and inspired ("engaged") by their work.

IMMEDIATE OUTCOMES

Setting Targets

We set stretch targets for our KPIs as we strive for continuous improvement; however, the targets are also grounded in risk assessment and past performance. We seek to continually improve our performance. Three of our four targets for 2013/14 are the same as in 2012/13. They continue to represent stretch results because of the level of internal changes and evolving priorities anticipated over the past year. As seen in the results below, our targets proved difficult to achieve. Exhibit 6 summarizes our 2013/14 KPI results and their relationship to our immediate outcomes.

Exhibit 6: Summary of 2013/14 performance results

Immediate Outcome	Key Performance Indicator	Target	2012/13 Actual	2013/14 Actual
Relevance	Proportion of performance audit reports completed in response to questions from MLAs and British Columbians	10–20%	14%	8%
Value	Percentage of MLAs surveyed who believe our work over the last year promoted efficient and accountable government	80%	n/a[1]	62%
Efficiency	Number of reports and publications	64 (2013/14)[2] 69 (2012/13)	64	60
Excellence	Staff motivated and inspired ("engaged") by their work (measured by BC Stats' overall engagement score)	75	74	75

"Throughout the audit process, every interaction I had with individuals from the Office of the Auditor General was respectful and professional. The team made a very conscientious effort to understand our business and they asked good, pointed questions and did considerable research on their own to develop informed and independent views. They were receptive to our feedback and on areas where we viewed things differently, they were fair and consistent and ensured we understood their rationale."

- Carolyn Rogers, Superintendent and CEO, Financial Institutions Commission

1 Due to the timing of the 2013 provincial election, the Office did not survey MLAs this year.
2 See Exhibit 10 for an explanation of our targets and planned versus actual values.

IMMEDIATE OUTCOMES

RELEVANCE

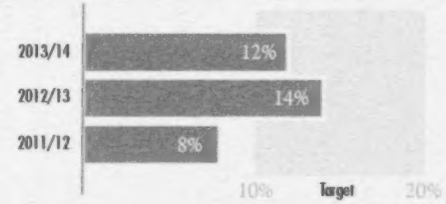
Relevance means our audit work:

- Addresses areas of concern to British Columbians and Members of the Legislative Assembly (MLAs);
- Enhances the credibility of the provincial government's financial reporting through our audit of government's Summary Financial Statements, and through management letters and financial audit reports;
- Summarizes issues so they are readily understood by MLAs and members of the public; and
- Contributes to better government by providing useful recommendations, both in our public reports, in our communications with the management of audited organizations and through our involvement with governing boards.

Key Performance Indicator 1:

Assessing the proportion of performance audit reports we complete in response to questions or suggestions from MLAs and British Columbians.

Exhibit 7: KPI 1 - Percentage of performance audit reports we completed in response to questions or suggestions from MLAs and British Columbians



Two of 17 performance audit reports (12%) published by the Office in 2013/14 were in response to suggestions from MLAs and British Columbians. We receive and evaluate numerous project suggestions from MLAs and the public annually. We review and compare them against our planned projects to ensure we provide maximum value.

As the number and nature of project suggestions we receive each year is outside our control, the results for this KPI will vary. For instance, we produced two reports in 2013/14 in response to external suggestions and three in in 2012/13.

We do not have future year targets for this KPI as we are currently revising our service plan and may not continue to report out on this particular KPI in the future. Our 2014/15 - 2016/17 service plan will address our new performance measures and related targets for the next three years.

IMMEDIATE OUTCOMES

We also measure relevance by:	*How did we do?*
We also measure our relevance by how many letters, emails, and communications we receive each year from MLAs and British Columbians. (Visit the Frequently Asked Questions page on our website for additional information)	The Office received and reviewed 531 items of correspondence from MLAs, the public, non-profit organizations, labour organizations, industry associations and academic institutions. This is a 25% increase over the 426 items received in 2012/13.
Gathering feedback from MLAs as to whether they find our publications timely and responsive to current issues	Our annual MLA survey was completed by 37 Members of the Legislative Assembly. Auditor General Russ Jones also met with several MLAs throughout the year which provided an opportunity to discuss our reports and gather feedback.
Monitoring the number of visitors to our website (www.bcauditor.com) and social media sites (Facebook, Twitter)	Approximately 39, 000 unique visitors visited our website, the same as in 2012/13. We also had approximately 1,200 fans on Facebook and 70 followers on Twitter.
Monitoring the number of times our reports and other materials are viewed online	As discussed elsewhere in the report, we strive to obtain the maximum impact with our resources. As a result, we do a number of public reports expected to have high public interest. We also do a number of other reports we expect will be of lesser interest to the public, but of keen intereset or value to government readers. Our most frequently downloaded report was *Oversight of Physician Services* at 1,254 times. See Appendix A: Year In Reports in 2013/14 for a complete list of our downloads.
Assessing the implementation status of our reports' recommendations	**Exhibit 8:** Cumulative Self-Assessed Implementation Status of Recommendations (April 1, 2013 to March 31, 2014)

LOOKING AHEAD

Our Office is in a period of transition. Over the past year we renewed our strategic plan, which in turn, will inform our upcoming service plan and future KPIs. This vision will be finalized after the arrival of our new Auditor General in late 2014. We are revisiting this KPI as part of our new service plan.

While we may not continue using this KPI as a measure of our relevance, the Office will always encourage feedback and publish audit reports in response to suggestions from MLAs and British Columbians. We still anticipate that between 10 to 20% of our performance audit reports each year will be in response to external suggestions. Making the public aware of the multiple ways in which they can submit suggestions is important to our values of investing in relationships and understanding others' perspectives. Communication with our stakeholders will help us determine if our audit topics are relevant to British Columbians and if our reports are having positive impacts on government.

VALUE

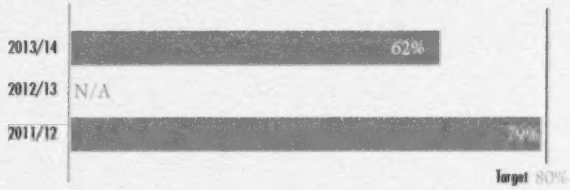
Value means our audit work:

- Is considered by MLAs and the entities we audit to be valuable, accessible and useful;
- Meets professional audit and accounting standards; and
- Promotes efficient and accountable government.

Key Performance Indicator 2:

The percentage of MLAs surveyed who believe our work over the past year promoted efficient and accountable government. MLAs represent all British Columbians. Surveys are one method that we use to evaluate the value of our work.

Exhibit 9: KPI 2 - Percentage of MLAs surveyed who believe our work over the past year promoted efficient and accountable government



Our 2013/14 survey found that 62% of the 37 MLAs who completed our survey believe the Office's work over the last year promoted efficient and accountable government.

In 2012/13, we did not conduct the survey as its timing conflicted with the lead-up to the provincial election. The 62% result for this year is 17 points less than in 2011/12 and 18 points lower than our target. We suspect a number of variables contributed to the decrease.

This survey was of MLAs in their first year in a new parliament, so they may not have yet fully understood the role and work of our Office. The composition of MLAs responding to our survey is different than it was in 2011/12 as well, where this year 18% were government members and 82% were non-government (opposition) members. In 2011/12 it was 58% and 40% respectively. And finally, one of the annual challenges in this KPI is that only a small number of MLAs complete the survey (37/85 MLAs in 2013/14). As a result, just a few responses can have a big impact on the overall results.

This challenge is one of the key reasons we are re-evaluating the utility of this KPI as we plan for our upcoming 2014/15-2016/17 service plan.

As noted earlier, we will continue to meet with MLAs to understand their concerns and how they think we can best add value to their work.

IMMEDIATE OUTCOMES

We also measure value by:	*How did we do?*
Meeting with individual MLAs to strengthen relationships and assist MLAs in better understanding the Auditor General's role.	By March 31, 2014, Auditor General Russ Jones had met with 64 senior government officials such as MLAs, Ministers and Deputy Ministers to discuss the role of the Office, his values, and key issues of concern for all parties and British Columbians.
Conducting an annual survey of all MLAs to help us measure the value we provide.	Our annual survey is sent to 85 MLAs in April each year.
Making our work readable, comprehensive and relevant through a variety of formats (e.g., summary and compendium reports, traditional audit reports, guides, information pieces, online video presentations, management letters). [3]	We produced the following: • 17 performance reports on various government programs • 43 financial statement audit opinions
Presenting and speaking about our work to further its impact and value.	The Auditor General and other Office representatives presented to numerous groups such as the Canadian Council of Legislative Auditors (CCOLA), the Strategic Partnerships Office, the CCAF-FCVI (formerly the Canadian Comprehensive Auditing Foundation), the Legislative Assembly Finance and Audit Committee, the Government Organizations Accounting and Auditing Forum (GOAA) and to new Legislative interns.
Collaborating with other legislative audit offices to share best practices and knowledge.	This past year, the Office hosted a delegation from the Chinese National Audit Office. The Office was also involved in provincial and national boards and committees related to the accounting profession such as the Canadian Council of Legislative Auditors (CCOLA) and the Pacific Northwest Intergovernmental Audit Forum. We also share understanding of emerging risks and good practice tools with other provincial and federal audit offices through our membership with CCOLA. We invited Basia Ruta, British Columbia's first Auditor General for Local Government, to present on the function of her office and opportunities on how our offices can work together effectively.

Auditor General Russ Jones with MLA Marc Dalton at the reception following the Throne Speech of the opening of the Legislative Assembly, February 2014.

3 Management letters are not published publicly as they are meant for the auditee and contain technical details that focus on control deficiencies and specific issues that need to be addressed.

IMMEDIATE OUTCOMES

We also measure value by:	*How did we do?*
Response letters from the minister, deputy minister or other individuals responsible for the audited organization who usually indicate the value of our work in the letter.	The Auditor General received 94 response letters that spoke to the value of our work. These letters are from the organizations that we audit, and are an opportunity for them to provide feedback and respond to the findings in the audit report. The following are some of the responses from auditees that appeared in audit reports over this past year: "The Board considers the recommendations of the Office of the Auditor General valuable in identifying enhancements to the Board's management planning, performance accountability and evaluation, and communications." - Capilano University, *Report A: Board Governance Examination of Capilano University (University Board Governance Examinations Report)* "This timely report has provided valuable information to inform our ongoing efforts to strengthen information security and highlights the significant investment in information technology that is required to support government programs. The OCIO accepts the valuable recommendations of the Office of the Auditor General, which are well-aligned with the direction of the government security policy and standards. My office is also appreciative of time provided to mitigate the identified vulnerabilities prior to publication of the audit." - Office of the Chief Information Officer, *IT Compendium Report* "The Ministry of Justice acknowledges the conscientious and thorough work carried out by the audit team during its review of Emergency Management British Columbia's (EMBC) preparedness for a catastrophic earthquake..." – Ministry of Justice, *Catastrophic Earthquake Preparedness Report*

"We appreciated the collaboration with OAG via our audit and believe government will get better cash and debt management as a result. The dividends are already evident."

– Auditee, *Working Capital Management Since 2010 report*

LOOKING AHEAD

Our Office is in a period of transition. Over the past year we renewed our strategic plan, which in turn, will inform our upcoming service plan and future KPIs. This vision will be finalized after the arrival of our new Auditor General in late 2014.

Although our 2014/15-2016/17 service plan will address a new framework and KPIs, the Office will continue to seek input from MLAs and senior government officials as an important measure of the value of our work. The Auditor General regularly seeks input from senior government officials, meeting with them one-on-one to discuss issues of concern, how to work together more effectively and to discuss the role of the Office. In addition, although we expect our goals to remain constant, the Office's priorities and strategies may change with the arrival of our new Auditor General.

Our 2014-2016 strategic plan continues to identify value as an important objective moving forward. Ensuring that our work is valued means building and maintaining strong relationships with our stakeholders. Strategies to achieve this include conducting our work in a balanced manner, communicating effectively throughout the audit process, and providing staff training on communication strategies and techniques. As we are always working to improve our relationships with our stakeholders, a key component will be soliciting feedback from them to understand their important issues and determine how we are doing.

EFFICIENCY

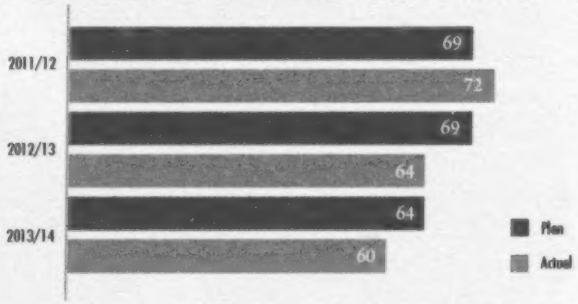
Efficiency means we strive to be a well-managed cost effective organization by:

- Using our resources to produce valued outputs;
- Using effective portfolio and project management techniques;
- Continuously improving the efficiency of our operations; and
- Meeting our work plan commitments.

Key Performance Indicator 3:

Number of reports and publications completed.

Exhibit 10: KPI 3 - The number of reports and publications completed is one measurement of our Office's efficiency



This year, we changed how we define the reports and publications included in this indicator. This change better aligns with how we intend to define this indicator in our upcoming service plan. Our targets also shifted to reflect this difference. Under our prior definition, we would have published 67 reports and publications against a target of 69 in 2013/14. Under our revised definition[4], we published 60 reports against a target of 64 for 2013/14.

We completed 17 performance reports on various government programs, and issued 43 opinions on government financial statements. These 60 reports (see the full list in Appendix B) and publications were 4 short of our target of 64.

There were several contributing factors as to why we did not reach our target. For instance, a number of performance audits, which can be inherently complex and difficult to complete, went over budget and fell behind schedule. Several were carried over from the prior year, thereby pushing some projects that would have been delivered this year into 2014/15. We also invested more in corporate improvement projects than planned, which reduced the resources available for reports and publications.

4 This indicator includes all financial audit opinions signed by the Auditor General, and all published audit and other reports on performance. For the purpose of counting our reports, we treat engagements of multiple entities that use the same audit criteria as a single report. We also include new guides and informational pieces as single reports. We exclude unpublished advice and recommendations to management, which are also a source of value to stakeholders. Annual statutory reports, such as the Annual Report, Service Plan, and Financial Statement Coverage Plan, and any publications that are updated and republished are not included in this indicator either.

IMMEDIATE OUTCOMES

We also measure efficiency by:	*How did we do?*
Tracking our response rate to items of correspondence (e.g., letters, emails) ensuring that those who write to the Office receive a response within a reasonable length of time.	We received 531 items of correspondence via email, letter, telephone or web form. While we acknowledge receipt of all correspondence right away, our average response time was 11 business days.

LOOKING AHEAD

Our Office is in a period of transition. Over the past year we reset our strategic priorities, which in turn, will inform our upcoming service plan and future KPIs. Our vision and goals will be finalized by our new Auditor General after her arrival in late 2014. In the meantime, we will work on one of our strategic priorities, which includes improving our portfolio and project management practices.

We are also reviewing the internal and externally reported measures we use to monitor and track our work plan commitments. For example, the number of reports and publications that we produce is influenced by the size, complexity and types of projects that we undertake. Other KPIs may be more relevant in understanding our performance relating to our objective of being a well-managed, cost effective organization. As previously mentioned, our 2014/15 - 2016/17 service plan will reset our performance measurement framework and KPIs.

EXCELLENCE

Excellence in our audit work means:

- Maximizing employee engagement;
- Meeting professional standards; and
- Maintaining positive, professional relations with our auditees.

Key Performance Indicator 4:

Staff motivated and inspired ("engaged") by their work as measured in our annual work environment survey that covers key areas such as workplace values, leadership, pay and satisfaction.[5]

Exhibit 11: KPI 4 – Excellence can be measured by staff engagement scores for our Office

Our staff engagement score is 75, matching our target and one point higher than last year.

According to BC Stats, an engagement score of 60 represents an engaged workforce. Our target of 75 represents our desire to be a highly engaged organization, and is higher than the typical engagement score in BC's public service (65 in 2012). Each year the Office asks for staff volunteers from a variety of portfolios to join our staff engagement action team. The team develops strategies to address areas for improvement based on the survey results. For example, three areas of particular interest that were lower than we would like were in categories of leadership, tools and pay.

Additionally, we also seek to keep our staff motivated by providing them with interesting meaningful work and with ongoing professional development to improve their skills and effectiveness.

We also view the high participation rates in the survey each year as a positive indication of our staff's engagement: 92% (2013), 96% (2012), and 91% (2011).

We also measure excellence by:	*How did we do?*
Supporting student audit associates and providing an excellent training ground for obtaining their Chartered Professional Accountant (CPA) designations. In September 2013, the new CPA Professional Education Program launched across Western Canada. Our Office is a licensed ICABC Chartered Accountant Training Office, and continues its commitment to train accountants, now with the CPA designation.	We had 18 audit associates in various stages of training working towards their CPA certification. Of the 18 new audit associates, 5 of the 6 that wrote the Uniform Final Examination (UFE) were successful.

5 Because confidentiality is critical for survey results to be valid, the survey is conducted and information collated and analyzed by an external consultant. No individually identifiable information is provided to management.

IMMEDIATE OUTCOMES

We also measure excellence by:	*How did we do?*
Increasing our capacity to deliver professional development opportunities to staff using a variety of methods	In January 2014, six additional staff were certified in the Instructional Skills Workshop Network's train-the-trainer program. This certification enhances the teaching effectiveness of both new and experienced educators. It improves the effectiveness of the design and delivery of our internal courses.
Requesting feedback through surveys from staff and senior management at audited organizations regarding our audit teams' performance	After each of our audits, we conduct a short survey to request feedback on our audit teams' performance. In 2013/14, we surveyed 166 individuals and received 94 responses, a 57% response rate. As an example, Exhibits 12 and 13 show compiled results for two of the survey questions.
Ensuring our audit work is completed to the highest standards and meets auditing and assurance standards	Multiple levels of internal reviews, and our Professional Practices department ensure compliance with audit standards, and any new accounting standards issued by the Public Sector Accounting Board of Canada (PSAB). As well, to assist organizations with transitioning to the new PSAB framework, we created model financial statements, which are examples of the type of financial statement presentation and disclosures required under PSAB standards.

Exhibit 12: Staff performance survey results 2013/14: "The audit team demonstrated an objective attitude"

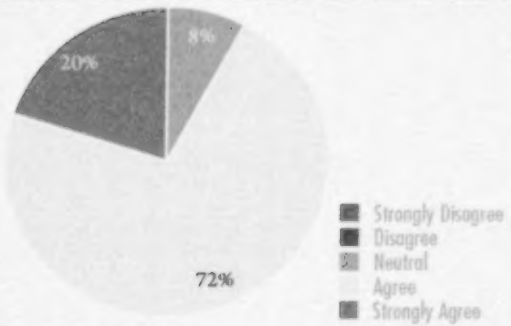
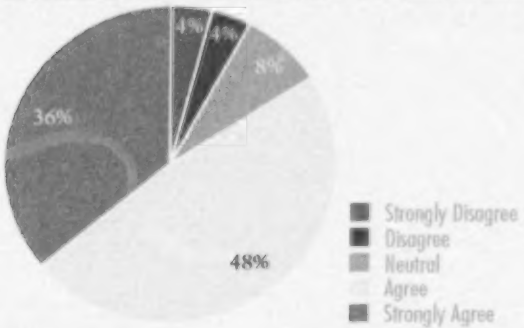


Exhibit 13: Staff performance survey results 2013/14: "The audit team conducted themselves professionally"



LOOKING AHEAD

Our Office is in a period of transition. Over the past year we renewed our strategic plan, which in turn, will inform our upcoming service plan and future KPIs. This vision will be finalized after the arrival of our new Auditor General in late 2014. Although our 2014/15 - 2016/17 service plan will include new KPIs, we will continue measuring staff engagement and our auditees' experiences working with us to ensure we maintain high standards of performance and excellence. We will continue to strive for high employee engagement, which is reflective of a high performing, healthy work culture.

The Office will continue its commitment to training new accountants in obtaining their CPA designation. We encourage and support students through their Uniform Final Examination (UFE), the final exam for designated Chartered Professional Accountants.

Our 2014-2016 strategic plan continues to identify excellence as an important objective moving forward. To this end, the Office will focus on enhancing our training curriculum, implementing a formal project management initiative to continually improve our process and share best practices, and improving tools to support staff in the Office and at work sites. We will also continue to monitor the engagement scores of our employees to ensure they remain in our desired range.

As auditors, we must meet our professional standards. To help achieve that, we have established internal checks and balances including engagement leaders responsible for the overall quality of reports; an Engagement Quality Control Review (EQCR) officer for high/moderate risk projects to ensure the project meets professional requirements; an internal challenge committee to confirm analysis and supporting evidence in reports; and a Professional Practices team for compliance with professional standards and to oversee the tools and training that we provide to auditors. These investments ensure audit specifications comply with the standards and that we have a robust quality assurance system.

OUR FINANCES

For our complete 2013/14 financial statements, please visit our website at www.bcauditor.com. The following section contains our Management's discussion and analysis and financial highlights for 2013/14.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section we discuss and analyze our business operations, including significant events that have affected our results and financial position for the year ended March 31, 2014 relative to last year and to the service plan published in June 2013. This discussion and analysis of our financial performance should be read in conjunction with our financial statements and related notes. These financial statements have been prepared in accordance with Canadian public sector accounting standards.

We have made forward-looking statements, including statements regarding our business and anticipated financial performance. These statements are subject to a number of risks and uncertainties and therefore actual results may differ from those expected in the forward-looking statements.

FINANCIAL AND BUSINESS HIGHLIGHTS

The Auditor General's mandate is broad, covering audits not only of the Province's financial statements but also of government's performance reports and the delivery of specific programs and services. Through the Office's work, the Auditor General helps the public and the Legislative Assembly hold government to account for how it delivers programs and services to the people of British Columbia.

For 2013/14, the voted appropriation we received from the Legislative Assembly to fund our operations was $16.07 million. This amount reflects the estimated full cost of operations. The Legislative Assembly also approved a separate appropriation for capital expenditures of $150 thousand. Any unused appropriation cannot be used in subsequent fiscal years.

In 2013/14, the actual total cost of our operations was $15.34 million and our capital expenditures were $150,000. Salaries and benefits, along with professional service contracts, made up 82% of our total operating expenses: as a result, changes or fluctuations in staff or in our resource mix can shift our financial position significantly from what was planned.

Exhibit 14 summarizes the high-level variances and further details are provided in the remainder of this discussion and analysis.

Exhibit 14: Office expenditures compared to planned and prior year ($ thousands)

	2013/14 Planned	2013/14 Actual	Variance Planned to Actual	2012/13 Actual	Variance 2013/14 to 2012/13	2014/15 Planned
Salaries and benefits	12,150	11,140	1,010	11,889	(749)	11,889
Professional services	1,252	1,525	(273)	1,492	33	1,539
Other expenses	2,668	2,678	(10)	2,370	308	3,193
Total operating expenses	**16,070**	**15,343**	**727**	**15,751**	**(408)**	**16,621**

For the fiscal year 2014/15, the Legislative Assembly approved a 3.4% increase to our operating appropriation. This provides a budget of $16.62 million, which was requested in our estimate of resources. This level of funding will allow the Office to maintain the budgeted staffing levels, conduct the work outlined in the Financial Statement Audit Coverage Plan and complete a relocation of the Office to new premises in the fall of 2014.

RESOURCES USED TO STAFF THE WORK WE DO

In 2013/14, the Office continued to work towards maintaining the targeted staffing level of 115 employees. With attrition, the average full-time equivalent (FTE) rate for 2013/14 was 110; one more than the prior year, but five less than planned. Our actual spending on salaries and benefits in 2013/14 was $1 million less than planned and $749,000 less than in the prior year. These savings can be attributed to an Office restructuring in the prior year, which resulted in the reduction of four positions, two at the senior executive level, the delay in appointing a new Auditor General and the fact that when Russ Jones took on the role of Acting Auditor General, his position as Assistant Auditor General was not filled.

Exhibit 15 shows comparative figures for planned, actual and prior year spending for salaries and benefits along with related FTEs.

Exhibit 15: Year over year planned and actual staff expenditures ($ thousands) with associated FTEs

	2013/14 Planned	2013/14 Actual	Variance Planned to Actual	2012/13 Actual	Variance 2013/14 Actual to 2012/13 Actual	2014/15 Planned
Salaries and Benefits	12,150	11,140	1,010	11,889	(749)	11,889
FTEs	115	110	(5)	109	(1)	115

The Office continues its succession and staffing strategy of the previous few years, which has been to increase the number of junior audit staff and provide long-term training and development to prepare them for more senior financial audit positions. As a result, our financial associates alone accounted for approximately 17% of the Office's employees in the past year.

In 2013/14, we spent $273,000 more than we had planned on professional services and $33,000 more than the prior year. This was largely due to contracting of financial statement audit work to audit firms. As a result there was a $263,000 increase over the prior year in fees paid to audit firms. There was a decrease in the use of audit consultants from the prior year, as a result of decreased legal expertise required to support the audit of special indemnities.

Exhibit 16 shows the professional service expenditures we incurred to augment our audit work and our corporate activity requirements during 2013/14.

Exhibit 16: Distribution of professional services expenditures ($ thousands)

		2013/14	2012/13	Variance
Audit Work	Financial Audit Contractors	48	70	(22)
	Fees to Audit Firms	787	524	263
	Audit Consultants	188	411	(223)
	Audit Report Editing	15	16	(1)
		1,038	1,021	17
Indirect Audit Support	Human Resources	47	84	(37)
	Information Technology	126	79	47
	Training	146	149	(3)
		319	312	7
Corporate Activities	Financial and Audit	25	34	(9)
	Office Services	107	64	43
	Legal Services	36	61	(25)
		168	159	9
Total Professional Services Expenditures		**1,525**	**1,492**	**33**

RESOURCES USED TO SUPPORT OUR STAFF

In 2013/14, we spent $2.7 million on office and support infrastructure required to carry out the Office's work. Total office and support expenses included both indirect audit support and overhead. These expenses were more than our planned budget by $10,000, with a $308,000 increase over the prior year's spending. Exhibit 17 shows the major elements of these expenses and provides a comparison of actual over planned and prior year expenditures.

Information technology costs were larger than planned by $115,000 and more than the prior year by $230,000. This is largely due to the purchase of replacement servers, monitors, phones and other miscellaneous equipment that did not meet the threshold requirements for classification as a capital expenditure. These expenditures are part of the normal business and plans of the Office. Expenses were more than originally planned for the current year, as the variance in salaries and benefits created the opportunity to make additional operational purchases in the current fiscal year.

Maintaining the highest professional standards and excellence when we perform our work requires that our staff remain current with professional standards. We commit funds for this purpose, and also provide staff with opportunities for growth and development. Last year we spent over $481,000 in professional dues and training courses for our staff, including $146,000 for professional services training fees and $335,000 for professional dues and external training courses. Training costs remained consistent with the prior year, with only a slight decrease of $6,000.

Exhibit 17: Comparison of the Office's planned, actual and prior year office and support expenses ($ thousand)

	2013/14 Planned	2013/14 Actual	Variance Planned to Actual	2012/13 Actual	Variance 2013/14 to 2012/13
Occupancy Costs	713	709	4	697	12
Travel	433	465	(32)	420	45
Information Technology	454	569	(115)	339	230
Professional Dues and Training	547	335	212	338	(3)
Office Expenses	260	322	(62)	259	63
Amortization	207	172	35	188	(16)
Report Publications	54	40	14	61	(21)
Research Grants	-	66	(66)	68	(2)
	2,668	**2,678**	**(10)**	**2,370**	**308**

A GLANCE AT OUR PAST AND A LOOK INTO OUR FUTURE

Financial trends for the past five years, along with our 2014/15 planned expenditures are shown in Exhibit 18.

The Office averaged 110 full-time employees (FTEs) in 2013/14, including auxiliary, part-time and co-op staff. This is one more FTE than in the prior year, and near our goal of 115. The Office plans to increase its FTE numbers to reach our goal of 115. As we move towards our goal, we are updating the workforce model.

The next year will continue to be a year of transition as the Office welcomes our new Auditor General. Although the upcoming year will see a change in Office leadership, the Office is familiar with this statutory change and our work will continue.

Additionally, the Office will be moving to its new location in November 2014. The Office is working with the building owner to ensure the space is ready for our move and work is also underway to facilitate the physical relocation. The Office is carefully managing the relocation project to minimize disruptions to our operations.

Exhibit 18: Year-over-year financial trends

	Planned	Actuals for fiscal years ended March 31					Line items (as a Percent)				
	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2013/14	2012/13	2011/12	2010/11	2009/10
	$	$	$	$	$	$	%	%	%	%	%
Operating expenses							As a % of total operating expenses				
Salaries	9,511	8,596	9,482	9,141	9,289	8,659	56.0	60.2	58.1	61.2	56.6
Employee benefits	2,378	2,544	2,407	2,556	2,478	2,414	16.6	15.3	16.2	16.3	15.8
Professional services	1,539	1,525	1,492	1,711	951	1,360	10.0	9.5	10.9	6.3	8.9
Occupancy costs	980	709	697	777	676	857	4.6	4.4	4.9	4.4	5.6
Travel	416	465	420	418	470	503	3.0	2.7	2.7	3.1	3.3
Information technology	407	569	339	411	418	481	3.7	2.2	2.6	2.8	3.1
Professional dues and training	532	335	338	181	331	373	2.2	2.1	1.2	2.2	2.4
Office expenses	456	322	259	291	304	412	2.1	1.6	1.8	2.0	2.7
Amortization	278	172	188	160	135	136	1.1	1.2	1.0	0.9	0.9
Report publications	55	40	61	30	42	46	0.3	0.4	0.2	0.3	0.3
Research grants	69	66	68	68	74	63	0.4	0.4	0.4	0.5	0.4
Total operating expenses	**16,621**	**15,343**	**15,751**	**15,744**	**15,168**	**15,304**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Net cost of operations	16,621	15,343	15,751	15,744	15,168	15,304					
Appropriation and other amounts	16,621	16,070	15,752	15,752	15,400	15,536					
Unused appropriation	-	(727)	(1)	(8)	(232)	(232)					
Capital expenditures	760	150	157	246	149	185					
Average FTE usage	115.0	109.5	108.8	111.2	111.6	111.9					

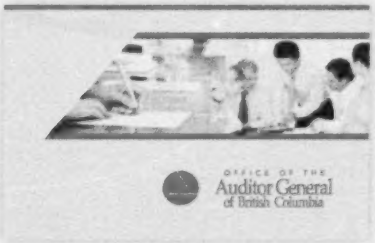
APPENDIX A: YEAR IN REPORTS

Given that we have finite resources, topics for performance audits are chosen based on a number of factors, such as:

- financial, social and environmental impact;
- relevance to British Columbians;
- our capacity to do the work; and
- our goal to cover a wide range of government programs and organizations.

We constantly monitor for emerging risks and update our plans and priority projects to add maximum value to government operations.

As part of our planning process each year we make decisions on how to allocate our staff to have the biggest influence we can. This means that in addition to choosing topics that we expect will have high public interest and readership (such as our *Catastrophic Earthquake Preparedness* report), we also choose topics that we expect will have little public interest, but which will resonate with internal government stakeholders and help define good practices going forward. For example, our model financial statement project has had significant influence within BC and across Canada. We have included information around the number of downloads, but these rough measures of readership alone are not reflective of the full influence each report has.



Public Sector Board Use of Information in British Columbia 2012: Progress Update Since 2009

This project examined whether boards of BC's government entities were receiving and using the information needed to effectively fulfill their functions, and to assess progress since our report of December 2009: *Making the Right Decisions: Information Use by the Boards of Public Sector Organizations.*

Report downloads: 312
YouTube presentation views: 62

School District Board Governance Examinations

This report assessed school board structures and activities as well as the Ministry of Education's support for school district governance and accountability. Three school districts – SD36 Surrey, SD75 Mission and SD27 Cariboo-Chilcotin – were selected for inclusion in this compendium report of governance examinations.

Report downloads: 646
YouTube presentation views: 214

APPENDIX A: YEAR IN REPORTS

Follow-up Report: Updates on the Implementation of Recommendations from Recent Reports (April 2013)

This follow-up report contained the self-assessed progress of ministries and organizations in implementing the recommendations from recent reports. It also contained the results of the Office's two first examinations of self-assessed progress.

Report downloads: 551
YouTube presentation views: 56

Observations on Financial Reporting: 2012/13 Summary Financial Statements

This report included further detail on the audit opinion of the government's Public Accounts, as well as further recommendations on financial reporting and an overview of management letters.

Report downloads: 231
YouTube presentation views: 62

Catastrophic Earthquake Preparedness

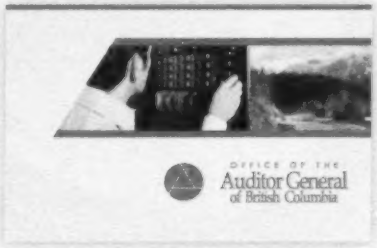
The purpose of this audit was to determine whether Emergency Management BC (EMBC) can demonstrate that it is adequately prepared to manage the effects of a catastrophic earthquake and is publicly reporting on the Province's preparedness for such an event.

Report downloads: 1,153
YouTube presentation views: 999

Shaping Transit's Future in British Columbia

This report provided an overview of the three areas that are key in shaping the future of transit: policy and governance, funding and design of transit services. In addition, it contained questions for stakeholders to consider as they work to increase ridership and develop a sustainable transportation system.

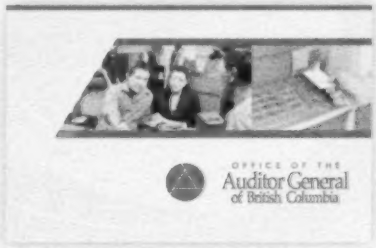
Online report: 793 page views
YouTube presentation views: 34



Follow-Up Report: Updates on the implementations of recommendations from recent reports (October 2013)

This follow-up report contained the self-assessed progress of ministries and organizations in implementing the recommendations from recent reports.

Report downloads: 197
YouTube presentation views: N/A



Credit Union Supervision in British Columbia

This audit determined whether the method and extent of the supervision of the province's credit unions were appropriate, including whether the Financial Institutions Commission uses an appropriate supervisory framework for monitoring BC Credit Unions.

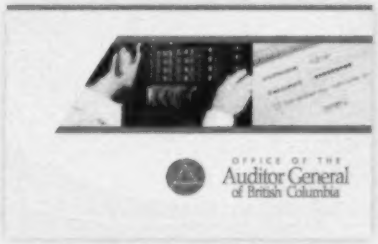
Report downloads: 413
YouTube presentation views: 204

APPENDIX A: YEAR IN REPORTS

An Audit of Special Indemnities

This audit examined whether special indemnities were granted, administered and reported in a consistent and transparent manner, and whether the terms and conditions of the indemnity agreements were complied with.

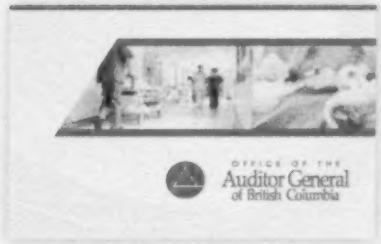
Report downloads: 415
YouTube presentation views: 124



Information Technology Compendium

This was an annual report summarizing the results of IT audits and IT-related management letter findings from financial audits. The report included an overview of the BC Government's capital spending in information technology; the status of general information technology controls in the Government of British Columbia; and a web application security audit.

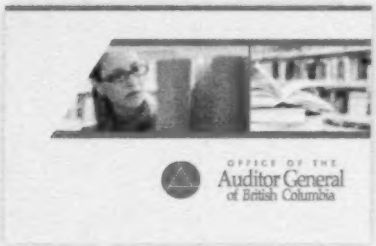
Report downloads: 439
YouTube presentation views: 109



Oversight of Physician Services

An audit to determine whether the Ministry of Health, health authorities, and the Medical Services Commission were ensuring that British Columbians received value for money for physician services.

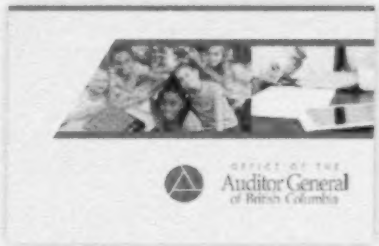
Report downloads: 1,254
YouTube presentation views: 633



University Board Governance Examinations

University Board Governance Examinations is the third report in a series on board governance. It examined the board governance practices of three BC universities: the University of Victoria (UVic), Capilano University and Thompson Rivers University (TRU), as well as the Ministry of Advanced Education in providing support for university governance and accountability.

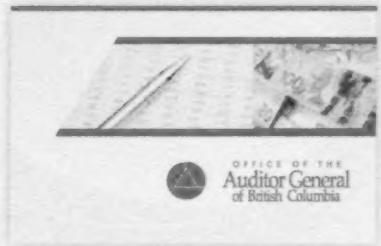
Report downloads: 313 times
YouTube presentation views: 109



Summary Report: Winter 2014

The *Summary Report: Winter 2014* shared findings from two projects: Health Shared Services BC and the K-12 Funding Allocation Model. It also recognized some of the good work done in government, which may not otherwise be shared in a public realm.

Report downloads: 254
YouTube presentation views: 79



Working Capital Management Since 2010

In August 2010, the Office of the Auditor General first looked at cash flow management in the college and school district sectors and found that government was not realizing best value. In this update report, we discussed the limited progress made since 2010.

Report downloads: 179
YouTube presentation views: 67

APPENDIX B: SUMMARY OF WORK ISSUED IN 2013/14

Financial Audits

1. Summary Financial Statements of the Province of BC
2. Summary Provincial Debt, Key Indicators of Provincial Debt, and Summary of Performance Measures

Colleges

3. Douglas College
4. Douglas College (enrolment audit)
5. Camosun College

School Districts

6. School District 35 – Langley
7. School District 36 – Surrey
8. School District 54 – Bulkley Valley
9. School District 61 – Greater Victoria
10. School District 83 – North Okanagan - Shuswap

Universities

11. Simon Fraser University (contracted auditors)

Health Authorities

12. Vancouver Coastal Health Authority

Crown Corporations and other government agencies

13. BC Health Services Purchasing Org
14. BC Immigrant Investment Fund
15. BC Pavilion Corporation
16. BC Transportation Financing Authority
17. BC Enterprise Corporation
18. BC Liquor Distribution Branch (contracted auditors)
19. BC Railway Company (contracted auditors)
20. BC Securities Commission
21. BC Transit
22. Columbia Power Corporation

    Subsidiaries of Columbia Power Corporation:

    23. Arrow Lakes Power Corporation
    24. Brilliant Power Corporation
    25. Brilliant Expansion Power Corporation
26. Destination BC
27. Oil and Gas Commission
28. Pacific Carbon Trust
29. Transportation Investment Corporation

Other Organizations and special reports

30. Office of the Representative for Children and Youth (audit of statement of expenditures)
31. Langley School District Foundation

Social Development / federal government labour market agreements

32. British Columbia Benefits and Measures Statement of Operations

APPENDIX B: SUMMARY OF WORK ISSUED IN 2013/14

LMA / TIOW agreements

33. Statement of revenues and expenses – Labour Market Agreement
34. Schedule of detailed expenditure claims – Targeted Initiative for Older Workers
35. Report on compliance with specific criteria in the Canada – British Columbia Labour Market Agreement

BCTFA / federal funding agreements

36. Canada – British Columbia Building Canada Fund, Contribution Agreement for Core National Highway System Projects
37. Canada – British Columbia Asia-Pacific Gateway and Corridor Initiative
38. Canada – British Columbia Asia-Pacific Gateway and Corridor Initiative Transportation Infrastructure Component, South Fraser Perimeter Road
39. Canada – British Columbia Provincial-Territorial Base Funding Agreement Building Canada Infrastructure Plan
40. Canada – British Columbia Building Canada Fund Contributions Agreement for the British Columbia Transit Improvement Program 2009-2010/2016-2017

Other

41. WorkSafe BC on December 2012 financial statements issued April 2013
42. 2013 Annual Report and 2014-2016 Service Plan of the Workers' Compensation Board of British Columbia (WorkSafeBC)
43. Provincial Employees Community Services Fund

Public Reports

44. An Audit of Special Indemnities
45. Catastrophic Earthquake Preparedness
46. Credit Union Supervision in British Columbia
47. Follow-up Report: Updates on the Implementation of Recommendations from Recent Reports (April 2013)
48. Follow-up Report: Updates on the Implementations of Recommendations from Recent Reports (October 2013)
49. Observations on Financial Reporting: 2012/13 Summary Financial Statements
50. Oversight of Physician Services
51. Public Sector Board Use of Information in British Columbia 2012: Progress Update Since 2009
52. School District Board Governance Examinations
53. University Board Governance Examinations
54. Working Capital Management Since 2010
55. Shaping Transit's Future in British Columbia

Information Technology Compendium

56. An Overview of the BC Government's Capital Spending in Information Technology
57. The Status of General Information Technology Controls in the Government of British Columbia
58. Web Application Security Audit

Summary Report: Winter 2014

59. Health Shared Services BC
60. K-12 Funding Allocation Model

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